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# Message Text

UNCLASSIFIED

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ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 H-02
PA-02 AGRE-00 ITC-01 CIAE-00 COME-00 FRB-01
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/120 W
----------117065 221536Z /53
P 221059Z FEB 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC PRIORITY 6142
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

UNCLAS BRASILIA 1279

PASS TREASURY FOR HFBAUER

E.O. 11652: N/A
TAGS: EFIN, BR
SUBJECT: PRESS COMMENT ON PROPSECTIVE TREASURY/FINANCE MINISTRY TALKS

1. SUMMARY. PRESS COVERAGE OF UPCOMING TREASURY/FINANCE MINISTRY TALKS HAS BEEN LIMITED, WITH MAIN EMPHASIS ON U.S. OBJECTIVES AS PREVIOUSLY SET FORTH BY ASSISTANT SECRETARY BERGSTEN REGARDING EXPORT SUBSIDIES AND COUNTERVAILING DUTIES. U.S. DESIRE FOR BRAZIL TO REDUCE EXPORT INCENTIVES IS SEEN BY BRAZILIAN COMMENTATORS AS COMING AT AWKWARD TIME WHEN BRAZIL'S EXPORT PROPESPECTS FOR 1978 ARE NOT PARTICULARLY ENCOURAGING. GOB POSITION AS SEEN BY THE PRESS WILL CONSIST OF RESISTENCE TO CHANGE. MINISTER SIMONSEN IS QUOTED AS SAYING THAT BRAZIL WILL TRY ON A XASE-TO-CASE BASIS TO ADJUST TO THE REQUIREMENTS OF THE IMPORTING COUNTRIES WHILE STILL ASSURING BRAZILIAN EXPORTERS OF NO REDUCTION IN OVERALL EXPORT INCENTIVES. END SUMMARY

2. GAZETA MERCANTILE (14 FEB) PUBLISHED FRONT-PAGE
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ARTICLE ON INTERVIEW IN WASHINGTON WITH TREASURY ASSISTANT SECRETARY BERGSTEN. ALTHOUGH HEADLINE WAS QUOTE BRAZIL-U.S. ECONOMIC CONFLICTS END QUOTE, ARTICLE WAS BALANCED AND MODERATE REPORT OF BERGSTEN COMMENTS. HE WAS QUOTED AS EXPRESSING GREAT SATISFACTION WITH HIS VISIT TO BRAZIL IN DEC 1977, ESPECIALLY WITH THE FRANK AND SINCERE DISCUSSIONS AND WITH EVIDENCE OF

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EXTENSIVE FRIENDSHIP BETWEEN BRAZIL AND THE U.S.
THE ARTICLE SAID THAT BERGSTEN IDENTIFIED FOUR PROBLEM
AREAS AS REGARDS GOB ECONOMIC POLICIES; EXPORT
SUBSIDIES, IMPORT RESTRICTIONS, FOREIGN INVESTMENT
REGULATIONS, AND MANIPULATION OF THE INTERNATIONAL
COFFEE MARKET. THE MAIN FOCUS CURRENTLY, ACCORDING
TO THE REPORT, IS ON EXPORT SUBSIDIES AND INVESTMENT
MATTERS. BERGSTEN REPORTEDLY SAID: 1) BRAZIL AND
THE U.S..MUST RESOLVE THE EXPORT SUBSIDY QUESTION SOON
SO AS TO AVOID UNNECESSARY CONFRONTATIONS AFTER THE
TREASURY'S WAIVER AUTHORITY EXPIRES IN JANUARY 1979;
2) ALTHOUGH THE U.S. IS INTERESTED IN BILATERAL TAX
TREATY AND VARIOUS EXISTING TECHNICAL PROBLEMS CAN
BE SURMOUNTED, THE U.S. CERTAINLY CANNOT ACCEDE TO
BRAZIL'S DESIRE FOR FISCAL INCENTIVES FOR U.S. INVEST-
MENT IN BRAZIL. FINALLY, THE ARTICLE REPORTED THAT A
TREASURY MISSION WILL VISIT BRAZIL AT THE END OF
FEBRUARY TO DISCUSS AT A MORE DETAILED LEVEL BRAZIL'S
EXPORT SUBSIDIES, PROTECTIONIST PRESSURES IN THE
U.S. AND TARIFF AND CUSTOMS BARRIERS TO INVESTMENT IN
BRAZIL.

3. A SUBSEQUENT ARTICLE IN THE GAZETA MERCANTILE (FEB 16)
ENTITLED QUOTE A RESPONSE TO BERGSTEN END
QUOTE, DISCUSSED U.S. TRADE POLICY AND ITS IMPLICATIONS
FOR DEVELOPING COUNTRIES. THE ARTICLE ATTRIBUTES ITS
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MAIN POINTS TO A STUDY BY AN UNIDENTIFIED LATIN AMERICAN
AMBASSADOR. THE ARTICLE STATES THAT INNUMERABLE
COUNTRIES WITH COMMERCIAL TIES WITH THE U.S. WILL BE
FOLLOWING CAREFULLY THE IMPLEMENTATION OF ASSISTANT
SECRETARY BERGSTEN'S DECLARED OBJECTIVE TO BRING ABOUT
SIMULTANEOUS REDCTION IN U.S. PROTECTIONISM AND
BRAZIL' EXPORT INCENTIVES. THE ARTICLE POINTS OUT
U.S. AND EEC SUBSIDIZATION OF AGRICULTURE AND
ARGUES THAT THE ONLY POSSIBLE JUSTIFICATION IS
SOCIO-POLITICAL PROTECTION OF PARTICULAR INTEREST
GROUPS. SUCH PROTECTION IS CHARACTERIZED AS A BARRIER
TO INTERNATIONAL TRADE AND EFFICIENT INTERNATIONAL
DIVISION OF LABOR. ON THE OTHER HAND, PROTECTIONISM
AS PRACTICED BY LDCS IS SEEN AS PROMOTING DEVELOPMENT
AND DIVERSIFICATION OF INDUSTRY AND FOREIGN TRADE. IN
CONCLUSION, THE ARTICLE SUGGESTS THAT U.S. EFFORTS TO
OBTAIN A SURPLUS IN BOTH ITS SERVICE AND TRADE ACCOUNTS
ARE INCONSITENT BECAUSE U.S. FIRMS ABROAD MAY REMIT
PROFITS BUT THEY ALSO MUST EXPORT TO THE U.S.

4. A THIRD PRESS REPORT (JORNAL DO BRASIL, 18 FEB)
HEADLINED THAT QUOTE AMERICAN MISSION COMES TO BRAZIL

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TO EXAMINE EXPORT INCENTIVES END QUOTE. THE ARTICLE
INCORRECTLY STATED THAT THE MISSION WOULD CONSIST OF
REPRESENTATIVES OF THE INTERNATIONAL TRADE COMMISSION.
IT SAID THAT THEY WOULD EXAMINE PRICES AND EXPORT
SUBSDIDIES AND PERHAPS MAKE PROPOSALS WITH RESPECT TO THE
FINAL PAHSE OF TALKS IN GATT. MINISTER SIMONSEN WAS
REPORTED TO BE CRITICAL OF THE ABSENCE OF AN INJURY CLAUSE
IN THE U.S. COUNTERVAILING DUTY LAW. ACCORDING TO THE
ARTICLE, SIMONSEN, SPEAKING AT A MEETING IN RIO,
ACKNOWLEDGED THAT BRAZIL WILL MAKE SOME ADJUSTMENTS IN
ITS EXPORT INCENTIVES IN RESPONSE TO THE DEMANDS OF
IMPORTING COUNTRIES. HOWEVER, HE REPORTEDLY EMPHASIZED
THAT THE GOB IS NOT CONSIDERING A MAJOR STRUCTURAL
REFORM BUT RATHER CHANGES ON A CASE-BY-CASE BASIS AND
UNCLASSIFIED



MAINTENANCE OF THE OVERALL LEVEL OF EXPORT PROMOTION
AND INCENTIVES.

4. COMMENT-THE GENERAL THRUST OF GOB POLICY TO DEAL
WITH POTENTIAL COUNTERVAILING DUTY PROBLEMS ON A CASE-BY-BASE
BASIS IS CONSISTENT WITH PAST PRATICE. IT ALSO REFLECTS
A RELUCTANCE TO EFFECTIVELY REDUCE EXPORT INCENTIVES
IN THE LAST YEAR OF THE GEISEL ADMINISTRATION.
WHEN IN FACT PROSPECTS FOR EXPORT GROWTH ARE NOT
ESPECIALLY ENCOURAGING. RECENT EVIDENCE OF GOB
RESISTENCE IN THIS AREA WAS ITS REFUSAL TO COOPERATE
WITH CANADIAN OFFICIALS INTERESTED IN COMPILING
COST DATA FOR PURPOSES OF CALCULATING FAIR MARKET VALUE
OF BRAZIL'S SHOE EXPORTS TO CANADA.
CRIMMINS



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# Message Attributes

**Automatic Decaptioning:** X
**Capture Date:** 01 jan 1994
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**Current Classification:** UNCLASSIFIED
**Concepts:** PRESS COMMENTS, TREASURY, FINANCE, MINISTERIAL MEETINGS
**Control Number:** n/a
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**Draft Date:** 22 feb 1978
**Decaption Date:** 01 jan 1960
**Decaption Note:**
**Disposition Action:** n/a
**Disposition Approved on Date:**
**Disposition Case Number:** n/a
**Disposition Comment:**
**Disposition Date:** 01 jan 1960
**Disposition Event:**
**Disposition History:** n/a
**Disposition Reason:**
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**Document Source:** CORE
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**Film Number:** D780082-0302
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**From:** BRASILIA
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**Office:** ACTION ARA
**Original Classification:** UNCLASSIFIED
**Original Handling Restrictions:** n/a
**Original Previous Classification:** n/a
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**SAS ID:** 3529498
**Secure:** OPEN
**Status:** NATIVE
**Subject:** PRESS COMMENT ON PROPSECTIVE TREASURY/FINANCE MINISTRY TALKS
**TAGS:** EFIN, BR, US
**To:** STATE
**Type:** TE
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